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DIRECTORATE OF  
INTELLIGENCE

# *Central Intelligence Bulletin*

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No 40

18 April 1973

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Approved For Release 2003/08/27 : CIA-RDP79T00975A024200110001-0

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No. 0093/73  
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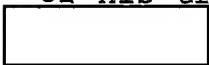
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USSR: Moscow is publicly signaling its satisfaction with the over-all progress of US-Soviet relations.

In recent weeks, Soviet media have been stressing improved ties with the United States and holding out to the ordinary citizen the prospect of a new era of bilateral cooperation. Observers in Moscow have been struck by the extent of the campaign to publicize the fruits of detente.

The most popular theme is the outlook for improved economic relations, but there has also been an upswing in coverage of cultural and human-interest topics. The press has been especially diligent in reporting presidential statements praising better US-Soviet relations. Conversely, differences between the two nations frequently receive low-key treatment and are sometimes dismissed as being of only transitory concern.

These changes mirror increased Soviet confidence in US intentions to honor the summit understandings. Visits by high-level delegations, the conclusion of commercial agreements, and progress in other areas of bilateral endeavor are newsworthy events in themselves. Moreover, they are a source of satisfaction to those Soviet leaders who, having a stake in detente, are anxious to advertise successes. The end of the war in Vietnam has also helped. Finally, Moscow is probably beginning the public buildup for Brezhnev's visit to the US, casting the circumstances of his trip in the best possible light.



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SOUTH ASIA: Pakistan probably will have great difficulty in accepting India's and Bangladesh's new repatriation proposal.

Bangladesh Foreign Minister Kamal Hossain's four-day visit to New Delhi concluded yesterday with a joint communiqué proposing the repatriation of 90,000 Pakistani prisoners of war held in India simultaneously with an exchange between Pakistan and Bangladesh of Bengalis detained in Pakistan and Biharis in Bangladesh. The communiqué reaffirms Dacca's intention to hold some war crimes trials. After his departure from New Delhi, Hossain reportedly told the press that work on the trial of POWs is in an advanced stage and that 195 prisoners would be tried. International observers will be invited to the trials.

The Bengalis dropped their demand for recognition as a condition for the exchange, although the communiqué makes it clear that they will not negotiate directly with Pakistan before recognition is granted. Either the International Red Cross or the Swiss could, however, act as intermediaries as they have done in the past.

Two aspects of the proposal are likely to make it unacceptable to Pakistan:

--The communiqué appears to propose that Pakistan accept approximately 250,000 largely destitute Biharis (non-Bengali Muslims) who would like to live in Pakistan but who are unwanted there.

--Confirmation that Dacca will hold war crimes trials will rouse Pakistani indignation and probably hurt the chances for early recognition of Bangladesh.

Several days ago a Pakistani Government official said that if Bangladesh proceeded with war crimes

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trials, Islamabad would retaliate by trying on charges of treason some of the Bengali military officers and civil servants awaiting permission to go to Bangladesh.

Although this latest initiative does not break the impasse on the subcontinent, it highlights New Delhi's growing impatience to find a formula that will allow the return of the prisoners of war. Prime Minister Gandhi is concerned over mounting foreign and domestic criticism that India is holding the prisoners illegally. The decoupling of prisoner repatriation from Pakistani recognition of Bangladesh also opens up new avenues in the search for a settlement.

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LIBYA: President Qadhafi's call for a "new revolution" appears to be primarily aimed at combating domestic opposition to the proposed union with Egypt.

In two rambling speeches this week that were vintage Qadhafi, the Libyan leader made it clear that he was fed up with the lack of enthusiasm for his policies and that from now on the Libyan people must shoulder responsibility for protecting the country against internal and external threats. In unrestrained language, Qadhafi called for a "cultural battle" to rid the nation of imported ideologies and to restore a purified Islamic law. He proclaimed that all those who support the revolution will be armed and organized into committees to down the "arrogant and educated classes." As is his wont under stress, Qadhafi threatened to resign if his program is not carried out.

Qadhafi's outburst is yet another sign of his frustration with the deepening controversy in Libya about the proposed union. Members of the ruling Revolutionary Command Council have been advising against the merger, and some military officers have been arrested, presumably for plotting to block it. Qadhafi judiciously avoided the union issue in his speeches, but they added up to a sharp warning that he intends to get tough.

Although the speeches were directed at domestic concerns, Qadhafi could not pass up the opportunity to warn other Arab governments against seeking regional settlements with Israel. He did state, however, that there were no personal differences between him and Presidents Sadat and Asad and that he believed in their patriotism. Qadhafi's bow to his confederation partners probably was a bit of fence-mending as well as an effort to underscore his commitment to both the confederation and union with Egypt.

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THAILAND-CHINA: Bangkok has reached a decision on some concrete steps to improve relations with China. [redacted] the Thai cabinet decided last week to reduce Thailand's official representation in Taipei to the chargé level when the present ambassador's term expires at the end of this year. To facilitate contact with Peking, the cabinet decided to establish a trade and cultural mission in either Hong Kong or Macao. An alternative would be to work through the Chinese representative to the ECAFE Secretariat in Bangkok, if Peking decides to set up an office there.

With the cease-fires in Indochina and Bangkok's willingness to downgrade its relationship with Taiwan, Peking sees few obstacles to improved relations with Bangkok. But the Chinese seem to be thinking of an accommodation largely on their own terms. At this stage, there is no evidence that Peking believes it must reduce its continuing support to Thai insurgents in exchange for diplomatic ties with Bangkok. The Thai Government's recent conciliatory steps are unlikely to soften Peking's attitude on this matter. [redacted]

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USSR: The Soviets so far this year have bought, or are rumored to have contracted for, nearly 8 million tons of grain worth some \$600 million. By this time last year, they had purchased 3.5 million tons of the total of 28 million tons (\$1.7 billion) which they bought in 1972.

Known contracts are with:

- Canada for 1.5 million tons of wheat and 500,000 tons of barley,
- France for 300,000 tons of feed barley,
- Australia for 100,000 tons of grain sorghum,
- Hungary or Romania for 100,000 tons of corn.

The rumored contracts are with:

- The US for 5 million tons of corn,
- Argentina for 100,000 tons of corn.

All of the known new purchases are for delivery by October 1973, implying that the Soviets have not yet received adequate imports to tide them over to their next harvest. Almost all of the contracts are for feed grain, reflecting the continuing need of the Soviet livestock program as well as a desire to take advantage of the relatively lower world prices for feed grains.

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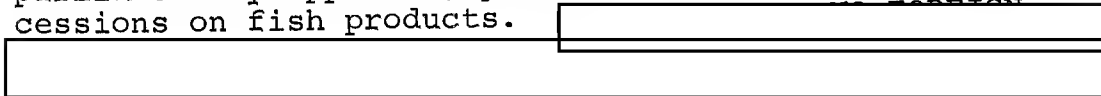
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NORWAY-EC: The EC and Norway have initialed an industrial free trade agreement similar to those already concluded with the other European Free Trade Association members who have not joined the EC. It will become effective on 1 July following ratification.

The breakthrough in the six-month-long negotiations came following a compromise on EC imports of Norwegian aluminum and fish. The Community's initial offer of a 190,000-ton ceiling on imports of unwrought aluminum under preferential tariffs in 1973 is to be supplemented by 80,000 tons intended for re-export after processing. The supplement will increase to 120,000 tons next year and the ceiling will be raised yearly until it is eliminated in 1982. The Community also agreed to lower tariffs on various fish products.

While some members of the Storting have reservations about specific terms in the agreement, the government expects no major difficulty in obtaining parliamentary approval, primarily because of the concessions on fish products.



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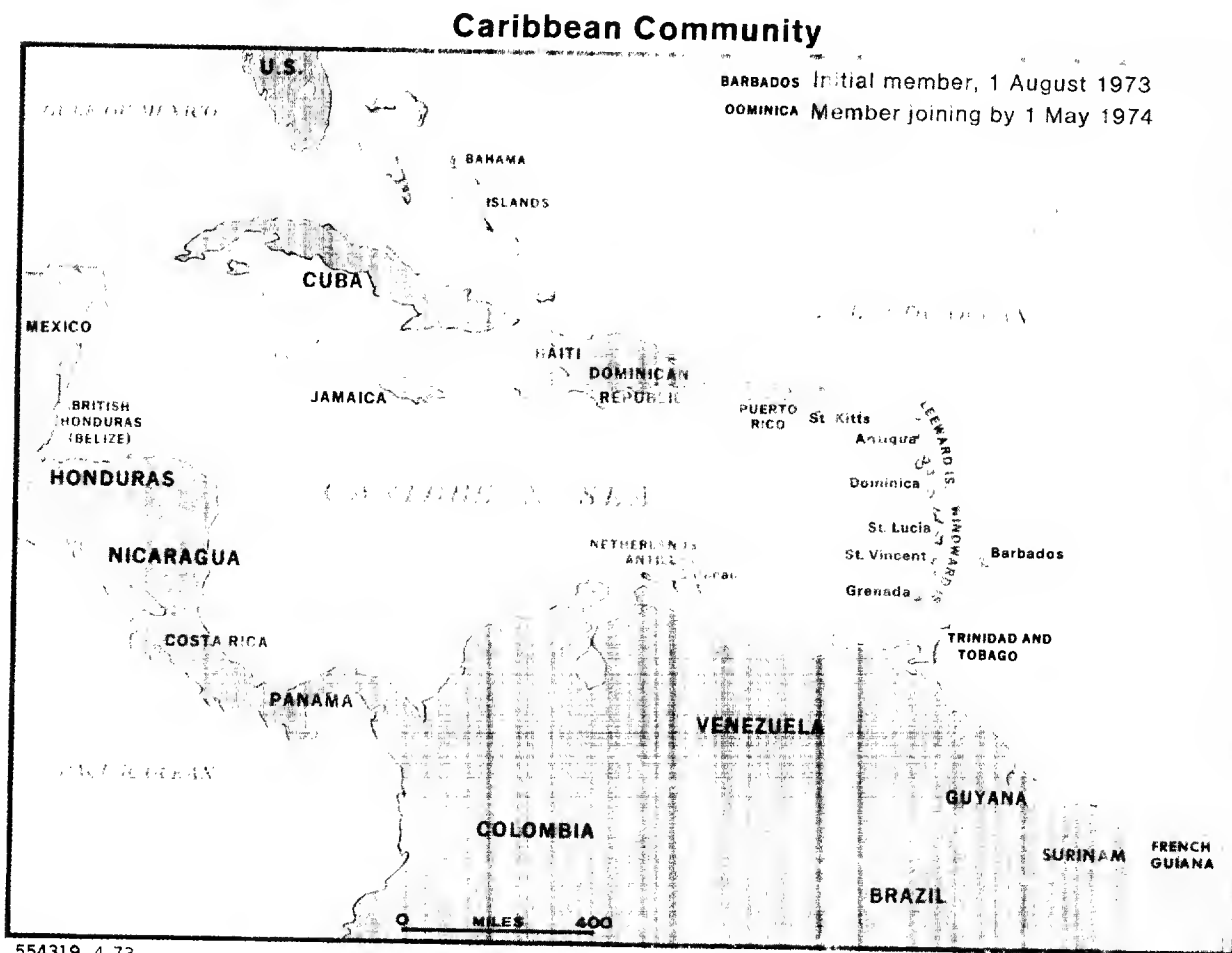
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CARIBBEAN: Leaders of ten British Commonwealth Caribbean states have reaffirmed their intention to go ahead with the development of a common market within the framework of an over-all "Caribbean Community." An agreement in principle to form such a grouping was announced last October. Differences of opinion between the smaller and larger units in the group will be hard to resolve, however, and a functioning common market is probably many years off.

The four independent countries in the group--Guyana, Jamaica, Trinidad-Tobago, and Barbados--were the prime movers in the Eighth Commonwealth Caribbean Heads of Government Conference that met in Guyana from 9 to 13 April. The "Georgetown Accord" that they fashioned calls for these four states to take the lead in setting up the Caribbean Community--a loose regional economic and cultural association--on 1 August 1973, with the smaller states joining by 1 May 1974. The current timetable represents considerable slippage in the dates announced last year by these same leaders and reflects the difficulty the delegates had in putting together an agreement.

A major stumbling block was the persistent fear of the smaller states that they would benefit less from the proposed new economic arrangements than the larger states. These fears appeared to be at the root of the refusal of two islands, Antigua and Montserrat, to sign the accord. One key concession that was made by the "big four" was an agreement that the smaller units would not necessarily be bound to a "common approach" in working out their future relationships with the European Communities. These economically hard-pressed dependencies regard such flexibility as vital.

The four independent states, which established diplomatic ties with Cuba late last year, announced a decision to send a joint trade mission to Cuba in May. None of the four has as yet established a permanent mission in Havana.

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